

Message Text

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PAGE 01 OTTAWA 04474 01 OF 04 132219Z
ACTION EUR-08

INFO OCT-01 ISO-00 ONY-00 SSO-00 /009 W
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FM AMEMBASSY OTTAWA
TO SECSTATE WASHDC IMMEDIATE 8630

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EO 11652: N/A
TAGS: EAIR, CA
SUBJECT: TEXT OF AMBASSADOR'S SPEECH TO CANADIAN AIR
INDUSTRIES ASSOCIATION - SEPTEMBER 26

1. THE TEXT OF SUBJECT SPEECH FOLLOWS. PLEASE REVIEW AND
OBTAIN COMMENTS/CLEARANCE AS NECESSARY. WE ANTICIPATE
CLEARANCES ARE NEEDED FROM EUR, EB, DOD,FAA AND COMMERCE.WE
WOULD APPRECIATE RECEIVING RESPONSE BY SEPTEMBER 20.

2. BEGIN TEXT. IT'S A PARTICULAR PLEASURE FOR ME TO MEET
WITH YOU TODAY.

3. ONE REASON, OF COURSE, IS THAT AIR INDUSTRIES ARE SO
IMPORTANT TO CANADA, ONCE AGAIN ONE OF THE MOST DYNAMIC
AND PROMISING EXPORT SECTORS OF THE CANADIAN ECONOMY. AND
WHAT'S IMPORTANT TO CANADA IS ALMOST ALWAYS IMPORTANT TO
THE STATES.

4. YOURS IS AN INDUSTRY WHICH SHOWS HOW CANADA CAN PUT
ITS ENTERPRISE TOGETHER WITH ACCESS TO THE BIG AMERICAN
AND OTHER FOREIGN MARKETS TO TAKE LEADERSHIP IN DEVELOPING
NEW COMMERCIAL AIRCRAFT -- AS YOU HAVE WITH THE CHALLENGER.
OTHER AERO-SPACE DEVELOPMENTS, ALONG WITH ESTABLISHED EX-
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CELLENCE IN ELECTRONICS AND COMMUNICATIONS, ARE BUILDING
THE REPUTATION OF CANADIAN INDUSTRY FOR COMMERCIAL APPLICA-
TION OF NEW TECHNOLOGY.

5. AIR INDUSTRIES ARE ALSO AN AREA IN WHICH GOVERNMENT
DECISIONS CAN HAVE A MASSIVE IMPACT ON BUSINESS PROSPECTS.
MANY OF THOSE DECISIONS ARE PURELY NATIONAL -- SUCH AS

MAJOR PROCUREMENTS BY U.S. AND CANADIAN ARMED FORCES. OTHERS -- INCLUDING ACCESS TO DEFENSE TECHNOLOGY AND OFF-SET POLICY -- CAN BE AFFECTED BY BILATERAL OR MULTILATERAL AGREEMENTS, BY THE CANADA/U.S. DEFENSE PRODUCTION SHARING ARRANGEMENT, OR BY INTERNATIONAL TRADING RULES. ALL OF THEM IMPACT ON BOTH SIDES OF THE BORDER.

6. IT'S THESE GOVERNMENT DECISIONS AND AGREEMENTS THAT I'D LIKE TO TALK ABOUT TODAY.

7. LET ME START WITH THE DEFENSE SIDE. I RECOGNIZE THAT IT IS NO LONGER THE PARAMOUNT INFLUENCE IN YOUR INDUSTRY IT ONCE WAS. BUT BY ANY MEASURE IT'S STILL BASIC TO GOOD PERFORMANCE ON BOTH SIDES OF THE BORDER.

8. CANADA AND THE U.S. DECIDED MORE THAN A GENERATION AGO -- IN THE HYDE PARK DECLARATION OF 1941 -- THAT WE COULD EACH MEET OUR DEFENSE NEEDS BETTER BY HAVING ACCESS TO THE OTHER COUNTRY'S DEFENSE INDUSTRY. THAT GIVES US THE BENEFITS OF MORE SPECIALIZATION AND STANDARDIZATION, WIDER DISPERSAL OF FACILITIES, GREATER CAPACITY AND MORE POTENTIAL COMPETITORS FOR EACH CONTRACT.

9. THESE BENEFITS ARE EVEN MORE IMPORTANT TO US NOW THAN THEY WERE IN 1959 -- WHEN THE UNDERSTANDING ON DEFENSE PRODUCTION SHARING WAS WORKED OUT -- AS WE FACE A SUS-
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TAINED DRIVE BY THE SOVIET UNION TO INCREASE ITS MILITARY POWER IN EVERY THEATRE AND SECTOR. WITH OUR BUDGETS UNDER HEAVY PRESSURE, NEITHER OF US HAS MUCH MARGIN ANY MORE FOR INEFFICIENT PROCUREMENT OR DUPLICATION.

10. OVER TIME CANADA AND THE UNITED STATES HAVE REACHED A SERIES OF INFORMAL UNDERSTANDINGS THAT TOGETHER ARE CALLED THE DEFENSE PRODUCTION SHARING ARRANGEMENT. THE PURPOSE OF THE ARRANGEMENT IS TO DEVELOP TWO-WAY DEFENSE TRADE TO THE HIGHEST PRACTICAL LEVEL. IN ORDER TO MAKE THIS POSSIBLE, IT CONTAINS TWO PROVISIONS THAT ARE UNIQUE IN OUR CROSS-BORDER ARRANGEMENTS:

-----IT REQUIRES THE MAINTENANCE OF A ROUGH, LONG-TERM BALANCE BETWEEN WHAT EACH COUNTRY SELLS AND WHAT IT BUYS FROM THE OTHER;

-----IT IS CONSCIOUSLY CONSTRUCTED TO BE NON-SYMMETRICAL. IN ORDER TO REACH THE LONG-TERM BALANCE BETWEEN PURCHASE AND SALES WHICH I JUST SPOKE ABOUT, THE U.S. GIVES CANADA RELIEF FROM BUY-AMERICAN DIFFERENTIALS AND IMPORT DUTIES SO THAT CANADIAN COMPANIES CAN COMPETE IN THE U.S. ON THE

SAME FOOTING AS U.S. DEFENSE COMPANIES. HOWEVER, CANADA CONTINUES TO APPLY ITS OWN CONTENT REGULATIONS AND IMPORT DUTIES TO U.S. DEFENSE COMPANIES THAT WANT TO SELL HERE.

11. AFTER A SLOW START, THE ARRANGEMENT PICKED UP STEAM AND GENERATED SUBSTANTIAL TRADE FLOWS IN THE 1960'S AND 1970'S; CUMULATIVE TWO-WAY TRADE IS NOW APPROACHING \$9 BILLION; WE CAN EXPECT MUCH MORE IN THE FUTURE.

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12. NOW, BECAUSE OF THE WAY THE ARRANGEMENT WAS DESIGNED, THE BALANCE OF TRADE FLOWS FAVORABLE TO CANADA OR FAVORABLE TO THE U.S. HAS SHIFTED OVER THE YEARS. AT SOME TIMES THE FLOW OF TRADE HAS BEEN FAVORABLE TO CANADA, AT OTHER TIMES IT HAS BEEN FAVORABLE TO THE U.S. IN 1971 THERE WAS AN IMBALANCE IN FAVOR OF CANADA TO THE TUNE OF ONE-HALF BILLION DOLLARS.

13. SINCE 1971 THERE HAS BEEN A SHIFTING BACK TOWARD A MORE EQUAL DISTRIBUTION OF SALES ON BOTH SIDES OF THE LEDGER. FOR EXAMPLE, THE CANADIAN PURCHASE OF THE U.S. AURORA LONG RANGE PATROL AIRCRAFT IN 1976 GAVE A BALANCE IN FAVOR OF THE U.S.

14. BUT HERE ANOTHER FACTOR COMES INTO PLAY WHICH DOES NOT SHOW UP ON A SIMPLE BUSINESS LEDGER APPROACH TO THE ARRANGEMENT. THIS IS THE AURORA OFFSETS. THESE TAKE TIME TO FACTOR INTO THE ACCOUNTS OF THE ARRANGEMENT BECAUSE THEY ARE REGISTERED ONLY WHEN CONTRACTS ARE SIGNED, NOT WHEN COMMITMENTS ARE MADE. BUT WHEN THE AURORA OFFSETS COME IN, THE BALANCE IN FAVOR OF THE U.S. WILL DECLINE MARKEDLY. AND THE CUMULATIVE TOTAL WILL BE PRETTY NEARLY A WASH.

15. THE ARRANGEMENT IS ONE OF THE MOST POSITIVE AND USEFUL THINGS THE U.S. AND CANADA HAVE GOING FOR THEM. IT HAS LIMITED OFFICIAL USE

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CONTRIBUTED TO THE DEVELOPMENT OF HIGH TECHNOLOGY INDUSTRY IN CANADA. AND IT HAS MADE MILITARY PROCUREMENT LESS EXPENSIVE AND MORE EFFICIENT FOR BOTH COUNTRIES.

16. BUT WE SHOULD BE AS CLEAR ABOUT WHAT IT DOES NOT DO AS WE ARE ABOUT WHAT IT DOES. THE ARRANGEMENT DOES COMMIT EACH COUNTRY TO THE HIGHEST PRACTICAL TRADE IN DEFENSE. BUT IT DOES NOT PREVENT EITHER FROM HOLDING AN OPEN, MULTILATERAL COMPETITION FOR MAJOR PROCUREMENTS, AS CANADA IS NOW DOING FOR ITS REPLACEMENT FIGHTER. IT SEEMS TO US THAT CANADA IS PROCEEDING IN EXACTLY THE RIGHT WAY IN THIS CASE. WE OBVIOUSLY HOPE CANADA WILL CHOOSE ONE OF THE FOUR U.S. PLANES IN THE COMPETITION. BUT THE INTEREST OF THE NATO COMMUNITY AS A WHOLE WILL BE SERVED IF CANADA BUYS THE PLANE OR PLANES THAT BEST FULFILL THE MISSIONS OF CANADIAN FORCES -- SUBJECT OF COURSE TO THE BALANCE OF BENEFITS TO CANADIAN INDUSTRY -- NOT ONE INTENDED LARGELY TO CEMENT FOREIGN RELATIONS. IN THIS REGARD, WE WELCOME PRIME MINISTER TRUDEAU'S STATEMENT IN HIS JUNE 30 PRESS CONFERENCE THAT CANADA WOULD NOT CHOOSE ON POLITICAL GROUNDS, BUT RATHER WILL "...TRY TO GET THE BEST PLANE IN THE GREATEST NUMBERS FOR THE MONEY THAT WE HAVE."

17. THE ARRANGEMENT ALSO COMMITS US BOTH TO ACHIEVING A LONG-TERM BALANCE, BUT IT DOES NOT DEFINE A GIVEN SET OF ACTIONS TO ACHIEVE IT. OVER TIME THE U.S. HAS DEVELOPED A RANGE OF PROCEDURES TO ASSURE EFFECTIVE CANADIAN PARTICIPATION IN U.S. DEFENSE BIDDING: REGULAR CANVASSING OF CANADIAN INDUSTRY FOR NEW IDEAS AND CAPABILITIES THROUGH SPECIALIZED PROCUREMENT OFFICES IN WASHINGTON AND OTTAWA, EXEMPTION FOR CANADIAN FIRMS FROM CERTAIN RULES REQUIRING ISSUANCE OF A U.S. EXPORT LICENSE LIMITED OFFICIAL USE

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BEFORE SOLICITING BIDS, AND DISTRIBUTION OF LONG-TERM PLANNING DOCUMENTS TO CANADIAN FIRMS WITH ESTABLISHED CAPACITY ON THE SAME BASIS THAT THEY ARE DISTRIBUTED TO U.S. FIRMS.

18. PERIODICALLY, SOME OF THE EXEMPTIONS THAT IMPACT ON

THE ARRANGEMENT HAVE BEEN CHALLENGED IN THE U.S. CONGRESS.
RECENT CONSIDERATION GIVEN TO LIMITING TO U.S. FIRMS'
PURCHASE OF ITEMS INCORPORATING SPECIALTY METALS IS AN
EXAMPLE. BUT THE ADMINISTRATION REMAINS COMMITTED TO
MAINTAINING OPPORTUNITIES FOR EFFECTIVE COOPERATION
UNDER THE DPSA AND WILL CONTINUE TO SEEK WAYS TO ENSURE
THAT BALANCE CAN BE MAINTAINED.

19. CANADIAN FIRMS SOMETIMES COMPLAIN THAT THEY DO NOT
HAVE ACCESS TO ALL THE CLASSIFIED MATERIAL SOME AMERICAN
FIRMS DO, OR THAT THEY DON'T GET MANY U.S. GOVERNMENT
R&D CONTRACTS THAT WOULD HELP THEM DEVELOP THE CAPABILITY
TO BID ON ADVANCED DEFENSE CONTRACTS.

20. I HAVE SEVERAL THOUGHTS ABOUT THOSE COMPLAINTS.
FIRST, THE U.S. IS COMMITTED TO MAINTAINING BALANCE IN
DEFENSE TRADE AND I THINK WE'VE SHOWN OVER THE YEARS THAT
IN PURSUIT OF THAT GOAL WE'RE PREPARED TO MAKE ADJUSTMENTS
AND WORK OUT PROBLEMS SO THAT CANADIAN FIRMS CAN PLAY
A STABLE, CLOSE AND FRUITFUL ROLE IN OUR PROCUREMENT
PROCESS.

21. SECOND, CANADIAN FIRMS DO, AND WILL CONTINUE, TO
HANDLE A BROAD RANGE OF U.S. CLASSIFIED MATERIALS, ALTHOUGH
THERE IS GOING ALWAYS TO BE A SMALL NUMBER OF SECTORS SO
SENSITIVE THAT ACCESS WILL BE LIMITED TO SELECTED U.S.

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FIRMS ONLY.

22. AS REGARDS R&D, THE OPPORTUNITY TO PARTICIPATE IN
PROJECTS FROM THE BEGINNING -- TO SHARE IN THE R&D WORK
PRECEDING PRODUCTION -- IS A MUST FOR ANY HIGH TECHNOLOGY
INDUSTRY THAT WANTS TO REMAIN COMPETITIVE.

23. THIS NEED WAS TAKEN INTO CONSIDERATION IN DEVELOPING THE U.S./CANADIAN ARRANGEMENTS RELATED TO DEFENSE TRADE. TO HELP TO ENSURE THE BROAD GOALS OF DEFENSE PRODUCTION SHARING WOULD BE MET, THE 1959 DEVELOPMENT SHARING PROGRAM AND 1963 MEMORANDUM OF UNDERSTANDING ON COOPERATIVE DEVELOPMENT WERE WORKED OUT. THEY WERE DESIGNED TO MAKE IT POSSSBLE FOR CANADIAN FIRMS TO PERFORM R&D WORK UNDERTAKEN TO MEET THE REQUIREMENTS OF THE U.S. ARMED FORCES. UNDER THE 1963 UNDERSTANDING,69 DEVELOPMENT PROJECTS VALUED AT 173.7 MILLION DOLLARS HAVE BEEN UNDERTAKEN. IN THIS REGARD, IT IS NOTEWORTHY THAT, IN KEEPING WITH THE INTENT OF THE 1963 MEMORANDUM OF UNDERSTANDING TO LIMIT DUPLICATIVE R&D WORK BY THE U.S. AND CANADA, ONLY ONE OF THESE PROJECTS HAS INVOLVED SUCH DUPLICATION.

24. BUT, THERE'S A CHICKEN AND EGG PROBLEM. CANADIAN FIRMS ARE ELIGIBLE TO BID ON U.S. R&D CONTRACTS ON THE SAME FOOTING AS AMERICAN FIRMS. BUT DEFENSE R&D INVESTMENT LIMITED OFFICIAL USE

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IN CANADA HAS BEEN AND CONTINUES TO BE VERY LOW IN RELATION TO THE UNITED STATES AND EUROPE. WITH LIMITED EXISTING R&D CAPABILITY, IT IS HARD FOR SOME CANADIAN FIRMS TO BID EFFECTIVELY TO CONTRACT FOR MORE. NEVERTHELESS, SOME FIRMS ARE DOING SO SUCCESSFULLY. FOR EXAMPLE, WE WE UNDERSTAND THAT DEHAVILLAND IS QUITE PROUD OF ITS AUGMENTOR WING. THEY SEE A POTENTIAL APPLICATION TO STOL AIRCRAFT. CAE ELECTRONICS IS ONE OF THE LEADERS IN DEVELOPING ADVANCED AIRCRAFT SIMULATORS, AND BRISTOL AEROSPACE LIMITED IS CONFIDENT THAT IT HAS A WINNER WITH ITS CRV-7 AERIAL ROCKET.

25. IN A WORD, IF CANADA WANTS TO GO ON DEVELOPING HIGH TECHNOLOGY DEFENSE INDUSTRIES, THERE IS NO SUBSTITUTE FOR INITIATIVE AND INVESTMENT BY CANADIAN FIRMS -- AND BY THE CANADIAN GOVERNMENT -- IN DEFENSE R&D. THE ARRANGEMENT PROVIDES THE OPPORTUNITY FOR CANADIAN FIRMS TO BID ON U.S. R&D DEFENSE CONTRACTS AND OFFERS A MARKET FOR HIGH TECHNOLOGY DEFENSE PRODUCTS THAT DOES NOT EXIST IN CANADA. BUT IT CAN'T ALONE CREATE THE CAPACITY TO EXPLOIT THAT MARKET.

26. ONE FINAL THOUGHT ON R&D. NATO IS NOW ATTEMPTING TO RATIONALIZE ARMS PROCURMENT SO AS TO AVOID UNNECESSARY DUPLICATION OF DEVELOPMENT EXPENSE AND TO TAKE ADVANTAGE OF THE INDUSTRIAL CAPABILITIES EACH MEMBER HAS IN MUCH THE SAME WAY AS WE HAVE ALREADY BEGUN TO DO BETWEEN THE U.S. AND CANADA.

27. WE DON'T NEED TO DEVELOP THREE DIFFERENT KINDS OF ANTI-TANK GUIDED MISSILE SYSTEMS, FOR EXAMPLE. BY GROUPING WEAPONS INTO SETS RESPONDING TO ALLIANCE NEEDS IN A MISSION AREA -- A FAMILY OF AIR DELIVERED WEAPONS LIMITED OFFICIAL USE

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FOR EXAMPLE -- ONE COUNTRY WOULD TAKE THE LEAD IN DESIGN AND DEVELOPMENT OF SYSTEMS FOR THE ENTIRE ALLIANCE.

28. TO IMPLEMENT THIS CONCEPT, THE ALLIANCE PARTNERS WOULD IDENTIFY PROGRAMS, AGREE ON SYSTEM CHARACTERISTICS AND THE TIME FRAME IN WHICH THE VARIOUS CAPABILITIES WOULD BE REQUIRED. A LIST OF PROGRAMS WOULD BE PRODUCED FROM WHICH MEMBER COUNTRIES COULD CHOOSE THOSE OF INTEREST TO THEM. AFTER AGREEING TO A PROPOSAL FOR A NEW SYSTEM, ALL ALLIANCE PARTNERS WOULD RELY ON THE LEAD MEMBER TO FULFILL THEIR NEEDS FOR THAT SYSTEM. OF COURSE, THE PRODUCT PRODUCED WOULD HAVE TO MEET THE REQUIREMENTS OF THE BUYING NATIONS. IN MOST CASES, WE WOULD EXPECT THIS METHODS OF COOPERATIVE RESEARCH AND DEVELOPMENT TO REDUCE DUPLICATIVE DEVELOPMENT PROGRAMS AND MAKE MORE EFFICIENT USE OF THE LIMITED FUNDS AVAILABLE FOR DEFENSE.

29. THIS CONCEPT IS JUST IN ITS INFANCY, AND IT'S GOT A LONG WAYS TO GO. BUT IT MAY HOLD SOME REAL PROMISE, NOTABLY FOR INDUSTRIES LIKE CANADA'S THAT ARE MOVING FAST IN OUTPUT AND WOULD LIKE TO GET OUT AHEAD IN SOME OF THE HIGH TECHNOLOGY SECTORS.

30. WHAT IS THE ROLE OF OFFSETS IN DEFENSE TRADE?

31. FIRST, THEY ARE A FACT OF LIFE, WIDELY REQUESTED AND GRANTED. IF PUSHED TOO FAR, THEY CAN SIGNIFICANTLY DISTORT TRADE AND INCREASE COSTS. U.S. DEFENSE CONTRACTS CONTAIN SAFEGUARDS TO PROTECT AGAINST SUCH INCREASED COSTS, BUT OBVIOUSLY THAT IS A CHOICE FOR EACH PURCHASER TO MAKE.

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32. SECOND, OFFSETS ARE ALL PART OF OUR DEFENSE TRADE AND CLEARLY THEY MUST BE COUNTED UNDER THE ARRANGEMENT. THAT WAY, THEY CAN HELP ACHIEVE THE BALANCE BOTH COUNTRIES ARE COMMITTED TO. ONCE AGAIN, IF PUSHED TOO FAR, THEY COULD THEMSELVES UNBALANCE TRADE UNDER THE ARRANGEMENT AND CALL INTO QUESTION THE NEED FOR SOME OF THE OTHER ACCESS ARRANGEMENTS. BUT THAT IS NOT A CURRENT DANGER.

33. LET ME TURN TO THE COMMERCIAL SIDE OF THE BUSINESS. THIS OF COURSE IS WHERE THE HIGH GROWTH IS NOW, AND IS LIKELY TO BE FOR A NUMBER OF YEARS. GOVERNMENT DECISIONS ARE MUCH LESS PERVASIVE IN IMPACT THAN IN THE DEFENSE AREA, BUT THEY CAN HAVE A HEAVY EFFECT.

34. COMMERCIAL AEROSPACE BUSINESS IS BOOMING NOW. THE MAJOR AIRLINES ARE EMBARKING ON A 70 BILLION DOLLAR RE-EQUIPMENT PROGRAM FOR THEIR FLEETS THAT WILL PROVIDE ORDERS FOR THE NEXT TEN YEARS. BUT THE INDUSTRY IS THREATENED WITH CREEPING PROTECTIONISM EVERYWHERE. AND IN SOME PLACES THE CREEPING IS GOING PRETTY FAST.

35. SOME GOVERNMENTS ARE DIRECTING THEIR AIRLINES AND AIR INDUSTRIES TO BUY NATIONAL. SOME ARE MANDATING CO-PRODUCTION, TECHNOLOGY TRANSFER, AND OFFSET PROCUREMENT AS A CONDITION FOR NOT BUYING NATIONAL. WE ARE ALL ENGAGED IN EXPORT CREDIT COMPETITION. IN SOME COUNTRIES GOVERNMENTS

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ARE COMMITTING PUBLIC MONIES TO THE DEVELOPMENT AND PRODUCTION OF COMMERCIAL AIRCRAFT. IN OTHERS, CERTIFICATION RULES AND STANDARDS OPERATE TO RESTRICT SALES. IN ADDITION TO THESE NON-TARIFF DISTORTIONS TO TRADE SIGNIFICANT TARIFFS ON AIRCRAFT AND EQUIPMENT REMAIN.

36. IN VIEW OF THE IMPORTANCE OF EXPORTS TO THE CANADIAN AND U.S. AERO-SPACE INDUSTRIES, BOTH CANADA AND THE U.S. HAVE A BIG STAKE IN STOPPING THESE TRENDS BEFORE THEY GET UP MOMENTUM. THE BEST PLACE TO DO IT IS IN THE MULTILATERAL TRADE NEGOTIATIONS SCHEDULED TO CONCLUDE THIS YEAR IN GENEVA. WHAT WE NEED, IN EFFECT, IS A COMMON UNDERSTAND-

ING OF THE LIMITS TO COMPETITION BY NON-TARIFF MEANS, AS
WE PROCEED TO MAKE ANOTHER BIG CUT IN AIR INDUSTRIES
TARIFFS.

37. BUT THERE ARE THINGS WE CAN DO BILATERALLY. WE CAN
MAKE SURE THAT AIR WORTHINESS CERTIFICATION BY SAFETY
AUTHORITIES ON BOTH SIDES OF THE BORDER IS MORE CLOSELY
COORDINATED. THIS IS PRESENTLY UNDER REVIEW BY EXPERTS
OF THE CANADIAN AIR TRANSPORT ADMINISTRATION AND THE U.S.
FEDERAL AVIATION ADMINISTRATION. WE NEED TO ASSURE COM-
PLETE UNDERSTANDING AMONG THE INDUSTRIES CONCERNED (BOTH
U.S. AND CANADIAN) AND THEIR TECHNICAL CONTROL AGENCIES
SO THAT WHILE MAINTAINING THE HIGHEST LEVEL OF FLYING
SAFETY SOME COSTLY AND TIME CONSUMING CERTIFICATION PRO-
CEDURES CAN BE ELIMINATED AND TRADE MAY PROCEED MORE
RAPIDLY AND CONFIDENTLY.

38. WE WANT TO MAKE SURE THAT WHILE OTHERS ARE PRESSING
THEIR COMMERCIAL AIRLINES TO BUY NATIONAL OR REQUIRE
INDUSTRIAL COMPENSATION, WE DON'T ALSO, THEREBY GIVING
THESE TRADE DISTORTING AND ULTIMATELY SELF-DEFEATING
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PRACTICES A NEW LIFE.

39. FINALLY WE CAN REMOVE SOME OF THE DOMESTIC OBSTACLES
TO GROWTH SUCH AS HIGH EXCISE TAXES LIKE CANADA'S 10 PER-
CENT TAX ON NON-TRANSPORT AIRCRAFT.

40. THUS THERE IS A LOT OF WORK TO DO ON THE GOVERNMENT
SIDE -- PARTICULARLY IN THE COMMERCIAL SECTOR -- TO MAKE
SURE THAT WE HAVE THE STABLE, SUPPORTIVE, FINELY TUNED
INSTITUTIONAL FRAMEWORK THE INDUSTRY NEEDS TO UNDERPIN ITS
FUTURE DEVELOPMENT. I WISH I COULD SAY THAT WE'LL GET IT
IN THE TIME IT TOOK CHALLENGER TO RACK UP ITS FIRST 100
SALES. BUT WITH YOUR SUPPORT WE SHOULD BE ABLE TO DO SO.

41. THANK YOU.

42. END TEXT. ENDERS

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